

## **Interview of CBK Governor, Mr. Fehmi Mehmeti for Voice of America**

**Voice of America: Mr. Mehmeti, World Bank forecasts speak of economic growth this year of up to 4 percent in Kosovo. Is this enough to reduce unemployment?**

**Governor Mehmeti:** If we look at the high trade deficit, which has had a negative impact and which is further deepening with the latest data available, I am talking about July 2019 data, there is an increase in the trade deficit for 3.8 percent. But even in 2018 it is one of the factors that has had a negative impact on economic growth in Kosovo. Also, high unemployment is one of the factors that has negatively impacted Kosovo's economic growth for 2018. It continues to be a challenge and impact on economic growth in Kosovo, so it is an increase to be valued the growth of 4 percent. If we compare it with the countries in the region, it is the highest growth rate. But it is not enough to address the challenges that Kosovo faces in this case, the high trade deficit and unemployment. Taking into consideration these two challenges I mentioned above, we need to have 6 to 7 percent economic growth, which is not difficult to achieve.

**Voice of America: Your bank estimated that for 2018, the value of imports was over 3 billion euros, and exports 350 million euros. Is such an imbalance worrying?**

**Governor Mehmeti:** Since the data you mentioned are factual, I will not repeat it again. Since we also have the updated data, as of July 2019. The same goes on. I'm talking about the data for 2019, respectively of July 2019, the value of exports is around 250 million euros with an annual growth of 9.8 percent. On the other hand, imports amount to 2.25 billion euros, or an annual increase of 4.4 percent. Overall, we have a deepening trade deficit of 3.8 percent, which I once again say has a negative impact on economic growth in Kosovo.

**Voice of America: Mr. Mehmeti, an organization such as the International Monetary Fund, has repeatedly warned of the pressure exerted by social schemes on the Kosovo budget. How are you coping with this situation?**

**Governor Mehmeti:** You know that the Central Bank and I as Governor are advisers to the Government of Kosovo and constantly our advice to both the past and the next government is to be careful in managing the social scheme. Given that these create long-term costs, which will then be a long-term burden on the Kosovo budget. Therefore our advice is to have a better and adequate management of these social schemes. Once again, I am taking into account the fact that they create long-term costs.

**Voice of America: According to estimates you have made, Kosovo's total public debt is over one billion euros. Is such a scale affordable for Kosovo?**

**Governor Mehmeti:** Public debt amounts to about 1 billion euros. If we look at GDP, it's about 17 percent of GDP. It is quite low if we compare it with the countries in the region and with what the law allows. Because the law allows 40 percent of GDP to be public debt. There is room to increase public debt still, so it is not worrisome as it is very low. But what is important to emphasize is the fact that public debt must be known for what it deals with and always taken in order to have added value.

**Voice of America: Critics say the high rate of corruption in your country has become an obstacle to the arrival of sustainable foreign investment. Do you share the same opinion?**

**Governor Mehmeti:** If we look at the latest data of July 2019, foreign direct investment has increased somewhere around 23.8 percent and the expectations are to have growth and the expectations are to have further growth of investments in Kosovo.

**Voice of America: But how stable are these foreign investments? How stable are they and how much have they created opportunities for new jobs?**

**Governor Mehmeti:** I'm talking about the financial sector. It is one of the sectors considered and is a success story for foreign investment. Speaking of the banking sector only, out of the 10 banks we have in Kosovo, 8 are foreign-owned banks, accounting for some 90 percent of total banking sector assets. Similar is also in other sectors, the insurance sector and microfinance institutions, non-banking financial institutions and so on. So this leaves you understand that we have continuous demand from foreign investors who are stakeholders in the financial market in Kosovo and are stable investments.

**Voice of America: What impact has had on the economy 100% tariffs on Serbian goods?**

**Governor Mehmeti:** If we look at inflation, I'm talking about July 2019, there is an increase in inflation reaching 3.1 percent. It's very high if you compare it to the one year ago that was 0.6 percent. Here we have had an increase in the price index also by imports which are about 3.9 percent. However, we must always bear in mind the fact that the application of the tax has also influenced the increase of inflation in Kosovo.

**Voice of America: The Central Bank of the Republic of Kosovo will celebrate its 20th anniversary next month. What is the situation of Kosovo's financial and banking sector on this anniversary?**

**Governor Mehmeti:** We have organized an international conference that will be attended by representatives of all international institutions. We have done a survey on corporate governance of commercial banks in the last decade, a study of the first of its kind, that we will disclose during the conference. We have also created a historical database of recent years related to corporate governance developments. This will be the database for regional banks as well, and then we expect a multilateral agreement between the Central Bank of the Republic of Kosovo and the Central Banks of the region to be signed during the conference. In terms of indicators, we have achieved many achievements during this 20th anniversary. If we talk about the financial sector, we have a very stable financial sector. If we look at the banking sector, there is an annual growth of 10.4 percent of loans, an increase of deposits of 11.6 percent. This is not just what we are saying but also the assessments made by the World Bank and the International Monetary Fund and other institutions on this issue.